PUBLIC DISCLOSURE

August 24, 2009

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Lewiston State Bank
Certificate Number 9208

17 East Center Street
Lewiston, Utah 84320

Federal Deposit Insurance Corporation
25 Jessie Street at Ecker Square, Suite 2300
San Francisco, California 94105

NOTE: **This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.**

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GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the CRA performance of ***Lewiston State Bank (LSB)*** *prepared by the* ***Federal Deposit Insurance Corporation (FDIC)****, the institution's supervisory agency, as of* ***August 24, 2009****. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 345.*

INSTITUTION RATING

INSTITUTION'S CRA RATING: This institution is rated Satisfactory.

LSB's CRA performance depicts a satisfactory practice of providing for the credit needs of its assessment area (AA) in a manner consistent with its resources and capabilities. The following supports this rating:

- The average net loan-to-deposit ratio (ANLTD) indicates reasonable responsiveness to AA credit needs given LSB's size, competitive forces, financial condition, and AA credit needs.

- A majority of small business and home mortgage loans were originated within LSB's designated AA.

- The geographic distribution of small business and home mortgage loans reflects a reasonable dispersion throughout the AA. No unexplained lending gaps were identified.

- An analysis of small business and home mortgage loan originations reflects a reasonable penetration among businesses of different gross annual revenues (GARs) and among individuals of different income levels.

- There have been no complaints relating to LSB's CRA performance.

In addition, no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs was identified.

SCOPE OF THE EVALUATION

This evaluation utilized the interagency examination procedures for small institutions. To assess LSB's performance with respect to these procedures, the following five lending performance criteria were analyzed: LSB's quarterly ANLTD ratio; the level of lending within its AA; the distribution of lending to businesses of different sizes and individuals of different income levels (borrower profile); the geographic distribution of loans; and LSB's response to any consumer complaints regarding its CRA performance. Of these criteria, the most weight was placed on the volume of lending to businesses with GARs of $1 million or less and individual borrower profile. Management did not elect to have community development investments and services reviewed, but did request that examiners review LSB's small dollar loans.

This evaluation relied upon records and reports provided by LSB, publicly available loan and financial information, demographic data, and information gathered as part of the evaluation process, including recent community contacts. The evaluation reflects LSB's CRA performance since the previous CRA Evaluation, conducted by the FDIC, as of September 13, 2004. The evaluation was conducted from LSB's branch office in North Logan, Utah. Examiners evaluated LSB's CRA performance in the context of the following:

- The current economic environment,
- Demographic characteristics of its AA,
- Lending opportunities within its AA,
- Institution financial resources and constraints,
- Institution product offerings and business strategy, and
- Information derived from community contacts,

The evaluation focused on LSB's small business lending (commercial real estate and commercial/industrial loans originated in amounts of $1 million or less) and home mortgage lending activity, because these are LSB's primary lending products. Greater weight is placed on LSB's small business lending performance, as this lending comprises the largest portion of its overall lending activity within the AA.

The review period used for the loan distribution sampling of non-reportable small business loans covered the most recent six months beginning January 1, 2009, through June 30, 2009. LSB maintains revenue and geographical data that is updated on a quarterly basis. There were 104 small business loans, totaling approximately $10 million originated during the review period. These loans were identified through a review of an electronic download of LSB's loan portfolio. The universe of loans was used to analyze the level of lending within LSB's AA. A sample of 23 loans, totaling approximately $2.2 million, were randomly selected from the universe of 96 small business loans originated within the AA for the borrower profile and geographic distribution analysis. The corresponding credit files of the loan sample were reviewed for census tract (CT) location and the GARs of the business.

Examiners analyzed LSB's reported home mortgage data for 2007, 2008, and year-to-date (YTD) 2009 in order to evaluate LSB's home mortgage lending performance. The data confirmed that LSB originated 39 loans totaling approximately $7 million in 2007, 37 loans totaling approximately $5 million in 2008, and 13 loans totaling approximately $1 million YTD 2009.

Construction and land development loans, which comprise 35 percent of the loan portfolio, were not analyzed, because this loan category is not a focus of CRA evaluations and the permanent loans may already be included in LSB's reported Home Mortgage Disclosure Act (HMDA) data. LSB's construction and land development loans are made to residential and commercial real estate developers, real estate investors, and consumers. Consumer, agricultural, and farm-secured loans were not reviewed because of the limited dollar volume of lending in these loan types or because they have become less of a focus in LSB's overall lending activities.

Certain analyses presented reflect both the number and dollar volume of loans originated by LSB. The analysis by number of loans is considered more indicative, than the analysis by dollar volume, of an institution's willingness to lend, because it represents the number of customers assisted. Therefore, the analyses by number of loans carry more weight in this evaluation.

D&B business data as of June 30, 2008, is presented for comparison purposes in the analyses of the borrower profile and geographic distribution of small business loans. The D&B data is based on the geographic location, using 2000 U.S. Census boundaries of the total number of businesses within the AA, and the reported gross sales of those businesses.

U.S. Census data for 2000 is presented for comparison purposes in the analysis of home mortgage lending. The census information is based upon the geographic location, using 2000 U.S. Census boundaries, of the total number of housing units and the gross annual income levels of families within the AA. HMDA aggregate lending data for 2007 is also presented. This data represents all reported home mortgages that were originated or purchased within the AA, by all reporting institutions.

DESCRIPTION OF INSTITUTION

LSB is a small, full-service, commercial-oriented banking institution headquartered in Lewiston, Utah. LSB is a subsidiary of Lewiston Bancorp, a one-bank holding company, located in Lewiston, Utah. LSB specializes in serving the business credit needs of small- to medium-sized businesses and farms. LSB also offers a wide range of consumer banking products and services. LSB operates one full-service main office in Lewiston, Utah; one full-service branch office in North Logan, Utah; and another full-service branch office in Preston, Idaho. The main office in Lewiston, Utah, is located approximately two miles from the Utah-Idaho border and is geographically positioned to be able to help serve the credit needs of the entire AA. Two of the offices are located in Cache County, Utah; and one is located in Franklin County, Idaho. There have been no branch offices opened, closed, or relocated since the previous CRA Evaluation. LSB has $187 million in outstanding loans, $196 million in deposits, and $226 million in total assets, as of the June 30, 2009, Report of Condition and Income (Call Report).

The main office is open for business Monday through Thursday, with lobby hours from 9:00 a.m. to 5:00 p.m., and Friday from 9:00 a.m. to 6:00 p.m. The two branch offices are open for business Monday through Friday from 9:00 a.m. to 6:00 p.m., and the Preston, Idaho Branch is open on Saturday from 9:00 a.m. to 2:00 p.m. The drive-up facilities maintain the same hours of operation as the lobby. LSB offers both automated teller machine (ATM) and point-of-sale debit cards to institution deposit customers. LSB owns three ATMs for deposit customers to access their accounts. Two ATMs are located at the drive-up facilities at both the main and the branch office in Utah. The remaining ATM is located inside Stokes Thriftway Food Store in Preston, Idaho. Store hours are from Monday to Saturday 7:00 a.m. to 11:00 p.m. The two branch drive-up ATMs are available 24-hours a day, and only the Preston, Idaho ATM accepts deposits.

A night depository is available at all the offices for deposits made after business hours. LSB also operates an internet website, which provides internet-banking access for account balances, transfer of funds, account statements, online notices (deposit and loans), loan payments, bill payment services, and remote deposit capture. LSB also offers telephone banking.

LSB offers a wide variety of personal and business loan and deposit products. Deposit accounts include personal and business time deposits, demand deposit checking, interest-bearing money market, and savings accounts. Consumer accounts also include interest-bearing negotiable order of withdrawal accounts. Additional products offered include ready reserve, overdraft protection lines of credit, wire transfers, and other traditional institution services.

Lending products offered by LSB are designed to serve the credit needs of small businesses, small farms, and consumers located within the AA. Loan products include commercial, construction, agricultural, residential mortgage loans (including home equity lines of credit), and consumer loans.

Table 1 describes the composition of LSB's loan portfolio. Approximately 37 percent of the loan portfolio is comprised of commercial/industrial and commercial real estate loans, 35 percent are construction and land development loans, 15 percent are home mortgage loans, and 10 percent are farm loans. The remaining 3 percent are other consumer loans.

Table 1 Composition of Loan Portfolio	**Dollar Amount (in 000s)**	**Percent of Total Loans**
Construction – 1 to 4 family residential	31,379	17%
Construction – Other construction loans and all land development & other land loans	33,878	18%
Secured by farmland (including farm residential and other improvements)	11,835	6%
Revolving, open-end loans secured by 1 to 4 family residential properties and extended under lines of credit	6,026	3%
Closed-end loans secured by first liens on 1 to 4 family residential properties	18,468	10%
Closed-end loans secured by junior liens on 1 to 4 family residential properties	1,729	1%
Loans Secured by multifamily (5 or more) residential properties	1,383	1%
Loans Secured by owner-occupied non-farm non-residential properties	26,841	14%
Loans Secured by other non-farm non-residential properties	14,340	8%
TOTAL REAL ESTATE	**145,879**	**78%**
Loans to finance agriculture production and other loans to farmers	6,930	4%
Commercial and industrial loans	27,265	15%
Revolving credit plan loans to individuals for household, family, and other personal expenditures	794	0%
Other consumer loans (includes single payment, installment, and all student loans)	6,215	3%
Other loans	155	0%
Lease financing receivables (net of unearned income)	0	0
TOTAL LOANS	**187,238**	**100**

Source: Call Report dated June 30, 2009

Given the concentration in commercial loans and home mortgage loans, the evaluation focused on LSB's lending performance in these areas, with an emphasis on commercial loans.

No legal or financial impediments exist which would prohibit LSB from meeting the credit needs of the community. LSB was rated "Satisfactory" at the previous CRA Performance Evaluation dated September 13, 2004.

DESCRIPTION OF LOGAN, UTAH-IDAHO MULTISTATE METROPOLITAN STATISTICAL AREA (MSA)

The CRA requires financial institutions to delineate one or more AA's within which regulatory agencies evaluate LSB's record of helping to meet the credit needs of its community and surrounding area. An AA must consist generally of one or more metropolitan areas, or one or more contiguous political subdivisions, such as counties, cities, or towns, in which LSB has its main office, branches, and deposit-taking remote service facilities. For the purposes and requirements of CRA, LSB has designated its AA as all of Cache County, Utah; and Franklin

County, Idaho. These comprise the Logan, Utah-Idaho multi-state MSA. The AA has not changed since the previous CRA Evaluation and meets regulatory requirements.

According to the CRA small bank procedures, a rating is assigned for each state, where the institution has a branch for each multi-state MSA and where the institution has branches in two or more states that comprise that MSA. As LSB operates all three of its offices within the Logan, Utah-Idaho multi-state MSA (with two in the Utah portion and one in the Idaho portion), this evaluation assigns a single rating for LSB, for its performance within the multi-state MSA. LSB lends throughout the multi-state MSA. However, a substantial majority of LSB's lending is to customers residing in the Utah portion of the multi-state MSA, where both the main office and a branch office are located.

Table 2 shows the breakdown of the geographic income characteristics of the 24 CTs in the AA, based on 2000 U.S. Census data. Of the 24 CTs, 1 of the CTs is designated as low-income, 5 are moderate-income, 11 are middle-income, and the remaining 7 are upper-income tracts.

Table 2 Demographic Information for Full Scope Area: Cache-Franklin County - Logan UT ID Multi-state MSA					
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Geographies (CTs/BNAs)*	24	4%	21%	46%	29%
Population by Geography*	102,720	4%	29%	42%	25%
Owner-Occupied Housing by Geography*	20,610	0%	18%	50%	32%
Business by Geography**	9,767	1%	33%	42%	24%
Farms by Geography**	501	0%	9%	71%	20%
Family Distribution by Income Level*	24,096	17%	21%	24%	38%
Distribution of Low and Moderate Income (LMI) Families throughout AA Geographies***	9,068	5%	42%	39%	14%
Median Family Income (MFI) HUD Adjusted MFI for 2009*** Households Below Poverty Level		43,907 55,500 12%	Median Housing Value Unemployment Rate*		120,128 3%

*Sources: *2000 U.S. Census data, **2008 D&B data, *** Department of Housing and Urban Development (HUD) adjusted MFI 2009.*

The Idaho loans are included in the total loans of LSB. The branch office in the Idaho portion of the multi-state MSA serves the needs of customers within that area.

Economic and Demographic Information

The economy of the AA is largely based on the service industry. According to June 2008 D&B data, approximately 30 percent of the multi-state MSA's businesses are service industries. Retail trade makes up 11 percent, followed by finance, real estate and insurance at 10 percent; construction at 9 percent; agriculture, forestry and fishing at 5 percent; manufacturing at 4 percent; transportation and communication at 3 percent; and wholesale trade at 3 percent.

According to the Precis Metro Economy.com report, the Logan, Utah- Idaho multi-state MSA economy is experiencing rising unemployment and personal income is down to its lowest level in nearly five years. As of March 2009, the unemployment rate averaged about 4 percent. This is well below the national average and above the multi-state MSA's long-term average of less than 3 percent.

The report further states that manufacturing industries in the Logan, Utah-Idaho multi-state MSA are eliminating jobs. In addition, construction permits decreased by almost 50 percent from 2007 and home sales are falling.

Competitive Environment

According to the June 30, 2008, FDIC Summary of Deposits, there are 11 financial institutions operating 26 banking offices in the multi-state MSA. LSB ranks second in deposit market share, holding 19 percent of the approximately $1 billion in total deposits within the two counties. Zions First National Bank ranked first with a 28 percent market share. Wells Fargo Bank and Cache Valley Bank followed LSB with 17 percent and 16 percent, respectively. Credit unions are not included in the market share analysis, but represent additional competition for area financial institutions, particularly since they now offer commercial loans. Table 3 details the breakdown of various institutions with offices located in the AA.

Table 3 Competitive Environment

Bank Name	No. of Offices in AA	Dollar Amount (000)	Market Share (%)
ZIONS FIRST NATIONAL BANK	6	292,925	28%
LEWISTON STATE BANK	**3**	**191,008**	**19%**
WELLS FARGO BANK NA	7	171,241	16%
CACHE VALLEY BANK	2	163,928	16%
WASHINGTON FS & LA	1	55,732	5%
BANK OF UTAH	2	50,331	5%
WASHINGTON MUTUAL BANK FSB	1	29,357	3%
KEYBANK NATIONAL ASSN	1	27,399	3%
IRELAND BANK	1	19,712	2%
U S BANK NATIONAL ASSN	1	18,270	2%
WASHINGTON MUTUAL BANK	1	9,232	1%
TOTALS	26	1,029,135	100%

Source: FDIC Summary of Deposits as of June 30, 2008.

Credit Needs

Information obtained from community contacts is used to help assess the credit and community development needs of an AA. In conjunction with this evaluation, examiners reviewed a community contact that was recently completed to help determine the credit and community development needs in the AA. The community contact is a representative of a local economic development organization.

The contact advised examiners that during the last year, there have been significant increases in layoffs in the manufacturing industry and foreclosures in the housing market. The contact explained that the layoffs are a significant portion of the nonagricultural job force. Many of the skilled workers that were laid off from the factories are having difficulty finding employment where they can utilize their skills.

The community contact organization assesses the various needs of community members in its district and tries to address the needs as quickly and effectively as possible. The organization provides housing services, first time homebuyer programs, Section 8 rental vouchers, as well as a revolving loan fund for small business loans. It also offers assistance to small businesses through Utah State University's Innovation Center for Small Business. Approximately 70 percent of the organization's funding is federal.

In the community contact's opinion, there is a greater community development need for funding for individual business start-ups. In general, a higher level of entrepreneurship has been seen in Cache County. The community contact also noted that there is sufficient affordable housing in the AA. The major redevelopment and housing projects generally involve the larger institutions, and, therefore, fewer opportunities are available for the smaller institutions.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

LSB's CRA performance reflects reasonable responsiveness to AA credit needs. LSB's borrower profile performance and geographic distribution of loans throughout the AA, are given the greatest weight in determining its overall lending test performance.

Loan-to-Deposit Ratio

LSB's ANLTD ratio is reasonable given its size, financial condition, competition, tenure, and AA credit needs. The ANLTD ratio is 89 percent, based on an average of the 20 quarters since the previous CRA Evaluation. This ratio measures the extent to which LSB utilizes its deposit resources to extend credit and reveals a reasonable level of commitment to lending.

LSB's highest ANLTD ratio was approximately 99 percent for the quarter ending June 30, 2008, and its lowest was approximately 75 percent for the quarter ending March 31, 2007. Table 4 presents the ANLTD ratios for LSB and another similarly situated institution, headquartered in the AA, over the 20 quarters since the previous LSB CRA Evaluation.

Table 4- Financial Institutions Headquartered in the Assessment Area

Financial Institution	Location	ANLTD Ratio (%)	Total Assets ($ 000s)
Lewiston State Bank	Lewiston	89	225,694
Institution 1	Logan	80	248,864

Source: Call Report Data

LSB has an out-of-state branch and is, therefore, subject to the Interstate Banking and Branching Act. The Act requires LSB to maintain a loan-to-deposit ratio of at least 50 percent of the host state's loan-to-deposit ratio. LSB's Idaho branch has a current loan-to-deposit ratio of 76 percent that is greater than 50 percent of the host state's loan-to-deposit ratio of 104 percent (or 52 percent).

Lending in Assessment Area

A majority of LSB's small business and home mortgage loans are located inside its AA. Table 5 shows the number and dollar volume distribution of LSB's small business and home mortgage lending inside and outside its AA. The table illustrates that 88 percent by number and 79 percent by dollar volume of the total loans considered were located in the AA.

Table 5 illustrates that 92 percent by number of all 104 small business loans originated during the sampling review were located within the AA. In addition, 83 percent of the home mortgage loans originated by LSB were located within the AA.

Table 5 Distribution of Loans Inside and Outside of the Assessment Area

Loan Category/Year	Number of Loans					Dollar Volume of Loans (000s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%	#	$	%	$	%	$
Small Business										
1/01/2009 to 6/30/2009	96	**92%**	8	8%	104	9,172	**94%**	571	6%	9,743
Home mortgage										
2007	31	79%	8	21%	39	4,109	60%	2,700	40%	6,809
2008	31	84%	6	16%	37	3,433	74%	1,221	26%	4,654
YTD 2009	12	92%	1	8%	13	1,223	87%	179	13%	1,402
Total Home Mortgage	74	**83%**	15	17%	89	8,765	**68%**	4,100	32%	12,865
Total Loans Analyzed	170	**88%**	23	12%	193	17,937	**79%**	4,671	21%	22,608

Source: Compiled by examiner from institution data.

Geographic Distribution of Loans

Overall, LSB's geographic distribution of loans reflects a reasonable dispersion of loans throughout the AA. The AA has one low-income CT, in which a university, student rental housing, and cemetery are located. Greater weight is placed on LSB's small business lending performance, as this lending comprises the largest portion of its overall lending activity within the AA. No unexplained lending gaps were identified.

Small Business Loans

The geographic distribution of LSB's small business loans illustrates a reasonable dispersion of loans throughout the AA given the demographics, lending capacity, competition, changes in the economy, real estate values, and location of the businesses. Table 6 provides the geographic distribution of LSB's small business loans within the AA by both number and dollar volume of loans. The geographic distribution of the total number of businesses in the AA is also shown for comparison purposes.

Table 6 Geographic Distribution of Small Business Loans in Assessment Area						
Tract Income Level	**Bank Loans***				**Distribution of total Businesses****	
	#	**%**	**$ (000s)**	**%**	**#**	**%**
Low	0	0%	$0	0%	111	1%
Moderate	4	17%	$86	4%	3,187	33%
Middle	12	52%	$744	33%	4,103	42%
Upper	7	31%	$1,387	63%	2,366	24%
NA	0	0%	$0	0%	0	0%
Total	23	100%	$2,217	100%	9,767	100%

*Sources: *LSB's small business loan originations from 1/1/2009, to 6/30/2009, adjusted for rounding; **2008 D&B data.*

As illustrated in Table 6, LSB's penetration of LMI CTs by number of small business loans (17 percent moderate-income, 0 percent low-income) compares unfavorably to the percentage of the multi-state MSA businesses that are located in these CTs (33 percent moderate-income and 1 percent low-income). However, the following information provided by LSB management mitigates its low penetration of LMI CT's. All of the moderate-income CTs in the AA are located along the "Main Street Corridor" (corridor), and contain a substantial number of recognizable franchised chain businesses (primarily fast food and hotels). These businesses are of a size and complexity that exceeds LSB's ability to service their needs. Many of LSB's competitors have branch offices in the midst of the corridor and provide closer banking opportunities for most of the businesses. In addition, there are large areas of undeveloped land within the corridor. LSB management also explained that the declining commercial real estate values and a deteriorating economy contributed to the lower lending in the AA.

<u>Home Mortgage Loans</u>

The geographic distribution of LSB's home mortgage loans illustrates a reasonable dispersion of loans throughout the AA. Table 7 provides the geographic distribution of LSB's home mortgage loans within the AA, by number of loans. The geographic distribution of owner-occupied housing units throughout the AA and 2007 HMDA aggregate lending data, by number of loans, is shown for comparison purposes. The dollar volume of the 2007 aggregate data (18 percent) is not shown, although it is similar to the data for number of loans (17 percent). Aggregate data for 2008 was not available at the time of the evaluation.

Table 7 Geographic Distribution of Residential Real Estate Loans by Census Tract Income Level								
Tract Level	**Percent of Owner Occupied Housing Units**	**2007 Aggregate Data % of #**	**2007 Bank Loans**	**% of #**	**2008 Bank Loans**	**% of #**	**YTD 2009 Bank Loans**	**% of #**
Low	0%	0%	0	0%	0	0%	0	0%
Moderate	18%	21%	5	16%	8	26%	3	25%
Middle	50%	46%	22	71%	15	48%	7	58%
Upper	32%	33%	4	13%	8	26%	2	17%
NA	0%	0%	0	0%	0	0%	0	0%
TOTALS	**100%**	100%	31	100%	31	100%	12	100%

*Sources: Reported HMDA data for 2007, 2008, and YTD 2009; *2000 U.S. Census data;**2007 Aggregate HMDA data.*

As illustrated in Table 7, there are no home mortgage loans or housing units in the low-income CT. LSB originated 5 home mortgage loans (16 percent) in moderate-income CTs in 2007; 8 home mortgage loans (26 percent) in the moderate-income CTs in 2008, and 3 loans in moderate-income CTs, (25 percent) in YTD 2009. The penetration of home mortgage loans for 2007 by number (16 percent) is reasonable when compared to the 2007 aggregate data level of 21 percent and owner-occupied housing units of 18 percent. During 2008 and YTD 2009, LSB performance increased to 26 and 25 percent, respectively. LSB's performance by dollar volume for 2007 (37 percent), although not shown, substantially exceeds the 2007 aggregate data (18 percent). The home mortgage analysis carries less weight in this evaluation due to LSB's primary focus on small business lending.

Borrowers Profile

The analysis of small business and home mortgage loan originations reflects a reasonable penetration among businesses of different GARSs and among individuals of different income levels.

<u>Lending to Small Businesses</u>

The distribution of LSB's small business loans reflects a reasonable penetration among businesses of different revenue sizes. Table 8 shows the distribution of the sample of 23 small business loans originated in LSB's AA by the GARs of the borrowing entities. Also shown for comparison purposes is D&B data that provides the percentage of businesses within each revenue category.

Table 8 Distribution of Small Business Loans by Gross Annual Revenues of the Business					
Gross Annual Revenues (000s)	**Loans Originated Within the Assessment Area***				**D&B Data****
	#	**% of #**	**$ (000s)**	**% of $**	**%**
< $100	13	57%	533	24%	32%
$100 - $250	3	13%	350	16%	19%
$250 - $1,000	6	26%	191	9%	11%
≤ $1,000	22	**96%**	1,074	49%	62%
> $1,000	0	0%	0	0%	4%
NA	1	4%	1,143	51%	34%
Total	23	100%	2,217	100%	100%

*Sources: * LSB's small business loans originated between January 1, 2009, and June 30, 2009; **June 2008 D&B data*

LSB originated 96 percent of commercial loans to businesses with GARs of $1 million or less. According to D&B data for calendar year 2008, 62 percent of businesses in the AA have GARs of $1 million or less, while only 4 percent have revenues of greater than $1 million, and 34 percent did not report revenues. Table 8 confirms that LSB's lending to small businesses substantially exceeds the number of businesses of this size in the AA. LSB's performance further demonstrates a strong commitment to the very small businesses, with 57 percent of these loans made to businesses with GARs under $100,000.

Lending to Individuals of Different Income Levels

The distribution of LSB's home mortgage loans reflects a reasonable penetration among individuals of different income levels. Table 9 reflects the borrower income distribution of home mortgage loans originated within the AA. The table includes, for comparative purposes, the percentage of families within each income level and aggregate HMDA data for 2007.

Table 9 Distribution of Home Mortgage Loans by Borrower Income in Assessment Area								
		2007	**2007**		**2008**		**YTD 2009**	
Borrower Income Level	**Families***	**Aggregate Lending*****	**Bank Loans****		**Bank Loans****		**Bank Loans****	
	% of #	**% of #**	**#**	**%**	**#**	**%**	**#**	**%**
Low	17%	3%	3	11%	1	4%	1	8%
Moderate	21%	16%	6	22%	5	18%	0	0%
Middle	24%	27%	7	26%	8	30%	5	42%
Upper	38%	43%	9	33%	9	33%	5	42%
NA	0%	11%	2	8%	4	15%	1	8%
Total	100%	100%	27	100%	27	100%	12	100%

*Sources: *2000 U.S. Census; **Institution's reported HMDA Data; ***Aggregate HMDA Data.*

As illustrated in Table 9, LSB's distribution of home mortgage loans to LMI borrowers in 2007 generally exceeds the 3 percent and 16 percent aggregate lending level to LMI borrowers. LSB's performance with LMI borrowers is similar in 2008 and slightly increased among low-income borrowers and decreased among moderate-income borrowers YTD 2009.

LSB's borrower profile performance by dollar volume of home mortgage loans (not shown) parallels aggregate lending performance. The performance in 2007 of 1 and 17 percent to LMI borrowers parallels the 2007 aggregate performance of 2 percent and 12 percent, respectively. The analysis by dollar volume carries less weight in this evaluation since the analysis by number of loans is more indicative of the willingness to lend, and represents the number of customers assisted.

Management attributes LSB's low penetration to LMI individuals to the downturn in the economy, declining residential real estate values, and a general decrease in demand for home loans. In addition, 82 percent of the units in the low-income tracts are rental property and another 12 percent are vacant. Also, 61 percent of the total units in the moderate-income tracts are renter-occupied and another 5 percent are vacant. Approximately 12 percent of households are below the poverty level and would not qualify for conventional real estate financing.

A majority of home loan applications for home purchase are brokered by LSB to the secondary market. LSB accepts and processes mortgage loan applications for referral to several mortgage lenders offering affordable loan products for LMI borrowers. These loans are underwritten, funded, and reported for HMDA purposes by the mortgage lenders, not LSB. As such, they are not included in the preceding analysis. In 2007, LSB referred 16 home loan applications totaling $1.9 million for moderate-income borrowers and 5 home loan applications totaling $468,000 for low-income borrowers to various mortgage lenders who funded these home loans. In 2008, LSB referred 14 home loan applications totaling $1.7 million for moderate-income borrowers and 4 home loan applications totaling $390,000 for low-income borrowers to various mortgage lenders who funded these home loans. For YTD 2009, LSB referred 21 home loan applications totaling $2.8 million for moderate-income borrows and 8 home loan applications totaling $731,000 for low-income borrowers to various mortgage lenders who funded these home loans.

Small-Dollar Loans

LSB offers attractively priced small-dollar consumer loans in amounts as low as $250. Since the prior CRA Evaluation, LSB has extended over $15,000 in small-dollar loans. The distribution of LSB's small-dollar loans reflects a more than reasonable penetration among individuals of different income levels. Table 10 reflects the borrower income distribution of small-dollar loans originated within the AA. The average interest rate for the small-dollar loans is 9.26 percent, based on an average of the loans extended over the review period. The lowest interest rate is 3.05 percent, and the highest rate is 14.75 percent. These interest rates are well within the limits of the Affordable Small-Dollar Loan Program established by the FDIC as a pilot program in 2007. FDIC-supervised institutions that offer products that comply with consumer protection laws, and are structured in a responsible, safe and sound manner, may receive favorable consideration under the CRA.

The FDIC pilot program requires that interest rates for loans are 36 percent or less. The small dollar loans illustrated in Table 10 demonstrates LSB's commitment to the credit needs of the AA.

Table 10: Distribution of Small Dollar Loans by Borrower Income in Assessment Area						
Borrower Income Level	**2007**		**2008**		**YTD 2009**	
	Bank Loans**		**Bank Loans****		**Bank Loans****	
	#	**%**	**#**	**%**	**#**	**%**
Low	6	67%	5	100%	3	50%
Moderate	0	0%	0	0%	1	17%
Middle	3	33%	0	0%	1	17%
Upper	0	0%	0	0%	1	16%
NA	0	0%	0	0%	0	0%
Total	9	100%	5	100%	6	100%

*Source: *Institution's reported small dollar loan data.*

Response to Complaints

LSB has not received any CRA-related complaints since the previous CRA Evaluation.

Fair Lending or Other Illegal Credit Practices Review

No evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs was identified.

APPENDIX A - GENERAL DEFINITIONS

Aggregate lending: The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/AA.

Area Median Income: The median family income for the MSA, if a person or geography is located in an MSA; or the statewide non-metropolitan median family income, it a person or geography is located outside an MSA.

Census tract (CT): A small subdivision of metropolitan and other densely populated counties. CT boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. CTs usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. CTs are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

Community development: (1) Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; (2) community services targeted to low- or moderate-income individuals; (3) activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have GARs of $1 million or less; or, (4) activities that revitalize or stabilize: (i) Low-or moderate-income geographies; (ii) Designated disaster areas; or (iii) Distressed or underserved non-metropolitan middle-income geographies designated by the agencies, based on a. Rates of poverty, unemployment, and population loss; or
b. Population size, density, and dispersion.
Activities that revitalize and stabilize geographies designated based on population size, density, and dispersion if they help to meet essential community needs, including needs of low- and moderate-income individuals.

Community Development Corporation (CDC): A CDC allows banks and holding companies to make equity type of investments in community development projects. Bank CDCs can develop innovative debt instruments or provide near-equity investments tailored to the development needs of the community as well as to the financial and marketing needs of WBT. A CDC may purchase, own, rehabilitate, construct, manage, and sell real property. Also, it may make equity or debt investments in development projects and in local businesses. The CDC activities are expected to directly benefit low- and moderate-income groups, and the investment dollars should not represent an undue risk on the banking organization.

Community Development Financial Institutions (CDFIs): CDFIs are private intermediaries (either for profit or nonprofit) with community development as their primary mission. A CDFI facilitates the flow of lending and investment capital into distressed communities and to individuals who have been unable to take advantage of the services offered by traditional financial institutions. Some basic types of CDFIs include community development banks, community development loan funds, community development credit unions, micro-enterprise funds, and community development venture capital funds. A certified CDFI must meet eligibility requirements, which include: having a primary mission of promoting community development; serving an investment area or target population; providing development services; maintaining accountability to residents of its investment area or targeted population through representation on its governing board of directors, or by other means; and not constituting an agency or instrumentality of the United States, of any state or political subdivision of a state.

Consumer loan(s): A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into the following below:

- Male householder (A family with a male householder and no wife present) or
- Female householder (A family with a female householder and no husband present).

Full-scope review: Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (for example, geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (for example, innovativeness, complexity, and responsiveness).

Geography: A CT delineated by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applications, the amount of loan requested, and the disposition of the application (for example, approved, denied, and withdrawn).

Home mortgage loans: Includes home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multifamily (five or more families) dwelling loans, loans for the purchase of manufactured homes and refinancing of home improvement and home purchase loans.

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

HUD Adjusted Income Data: The U.S. Department of Housing and Urban Development (HUD) issues annual estimates which update median family income from the metropolitan and non-metropolitan areas. HUD starts with the most recent U.S. Census data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

Limited-scope review: Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (for example, geographic distribution, borrower distribution, total number and dollar amount of investments and branch distribution).

Low-income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent, in the case of geography.

Low Income Housing Tax Credits: The Low-Income Housing Tax Credit Program is a housing program contained within the Internal Revenue Code of 1986, as amended, which is administered by the U.S. Department of the Treasury and the Internal Revenue Service. The U.S. Treasury Department, through the Internal Revenue Service, distributes low-income housing tax credits to housing credit agencies. The housing agencies allocate tax credits on a competitive basis. Developers who acquire, rehabilitate, or construct low-income rental housing may keep their tax credits or sell them to corporations or investor groups, who, as owners of these properties, will be able to reduce their own federal tax payments. The credit can be claimed annually for ten consecutive years. For a project to be eligible, the developer must set aside a specific percentage of units for occupancy by low-income residents. The set-aside requirement remains in place throughout the compliance period, usually 30 years.

Market share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/AA.

Median Income: The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

Metropolitan area (MA): A metropolitan statistical area (MSA) or a metropolitan division (MD) as defined by the Office of Management and Budget. A MSA is a core area containing at least one urbanized area of 50,000 or more inhabitants, together with adjacent communities having a high degree of economic and social integration with that core. A MD is a division of a MSA based on specific criteria including commuting patterns. Only a MSA that has a population of at least 2.5 million may be divided into MDs.

Middle-income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent, in the case of geography.

Moderate-income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of geography.

Multifamily: Refers to a residential structure that contains five or more units.

Non-Metropolitan Area: All areas outside of metropolitan areas. The definition of non-metropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies; for example, there is generally both urban and rural territory within both metropolitan and non-metropolitan areas.

Other products: Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

Owner-occupied units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Qualified investment: A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Rated area: A rated area is a state or multi-state metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multi-state metropolitan area, the institution will receive a rating for the multi-state metropolitan area.

Small loan(s) to business (es): A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) and the Thrift Financial Reporting (TFR) instructions. These loans have original amounts of $1 million or less and typically are secured either by nonfarm or nonresidential real estate or are classified as commercial and industrial loans. However, thrift institutions may also exercise the option to report loans secured by nonfarm residential real estate as "small business loans" if the loans are reported on the TFR as non-mortgage, commercial loans.

Small loan(s) to farm(s): A loan included in "loans to small farms" as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of $500,000 or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.

Upper-income: Individual income that is more than 120 percent of the area median income, or a median family income that is more than 120 percent, in the case of geography.